

IDEAL SUN CITY HOLDINGS BERHAD (640850-U)
(Incorporated in Malaysia)

Unaudited Interim Financial Report
For The Financial Quarter Ended 30 September 2015

A. EXPLANATORY NOTES PURSUANT TO MFRS 134: INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.22 of Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements. This interim financial report does not include all the information required for a full set of annual audited financial statements, and should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2014, which have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The Group has adopted all applicable accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") except for those which are not yet effective. The initial adoption of the accounting standards, amendments and interpretations that are effective in the current financial period does not have any significant impact on the Group's financial statements.

A2. Auditors' report on preceding annual financial statements

The auditors' report on the preceding annual financial statements of the Group for the financial year ended 31 December 2014 was not subject to any qualification.

A3. Seasonal or cyclical factors

The business operations of the Group for the current financial quarter were not significantly affected by seasonal or cyclical factors.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial quarter.

A5. Changes in estimates

There were no changes in estimates of the amounts reported that have a material effect on the current financial quarter's results.

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A6. Issuances, cancellations, repurchases, resale and repayment of debt and equity securities

There were no issuances, cancellations, repurchases, resale or repayment of debt and/or equity securities during the financial year-to-date under review save as follows:

- (a) private placement of 22,000,000 and 20,451,200 new ordinary shares of RM0.10 each in the Company at the issue price of RM0.425 and RM0.430 each respectively, pursuant to the Proposed Private Placement as disclosed in Note B7(b)(i); and
- (b) conversion of 1,711,800 warrants into 1,711,800 new ordinary shares of RM0.10 each in the Company at the exercise price of RM0.10 each.

A7. Dividends paid

No dividends have been paid during the current financial quarter.

A8. Segmental information

Segmental information is presented in respect of the Group's business segments. The Group's business for the current financial period comprises the following main segments:

- (a) Project management services
- (b) Property investment holding including letting of properties and provision of supports services

	Project management services		Property Investment holding		Sale of ornamental plants		Total	
	30.09.15 RM'000	30.09.14 RM'000	30.09.15 RM'000	30.09.14 RM'000	30.09.15 RM'000	30.09.14 RM'000	30.09.15 RM'000	30.09.14 RM'000
Revenue	7,720	7,410	86	-	-	-	7,806	7,410
Profit/(Loss) before tax	3,629	4,368	(114)	-	-	(238)	3,515	4,130

A9. Valuation of property, plant and equipment and investment properties

The property, plant and equipment and investment properties of the Group have not been revalued during the current financial quarter.

A10. Material events subsequent to the balance sheet date

There were no material events subsequent to the end of the current financial quarter that have not been reflected in the financial statements.

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A11. Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial quarter and financial year-to-date under review.

A12. Changes in contingent assets or contingent liabilities

There were no contingent assets or contingent liabilities as at the end of the current financial quarter, save for the material litigation disclosed in Note B9(a) below.

A13. Capital commitments

There were no material capital commitments as at the end of the current financial quarter.

A14. Significant related party transactions

	30.09.15 RM'000
Transactions with companies in which certain directors of the Company have substantial financial interests	
- rental of premises paid or payable to a related party	75
- project management fees received or receivable from a related party	<u>900</u>

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B ADDITIONAL INFORMATION PURSUANT TO BURSA SECURITIES LISTING REQUIREMENTS

B1. Review of the Group's results for the current financial quarter ended 30 September 2015

For the current financial quarter ended 30 September 2015, the Group achieved unaudited revenue of RM3.2 million as compared to RM1.8 million recorded in the previous year corresponding quarter. The increase in revenue was attributed to the higher income generated from the project management services.

The profit after tax of the Group for the current financial quarter was approximately RM1.4 million as compared to RM0.8 million recorded in the previous year corresponding quarter. The increase in profit after tax was mainly due to the higher income generated from the project management services in the current financial quarter.

B2. Material changes in profit after tax for the current financial quarter compared to the immediate preceding quarter

The profit after tax of the Group for the current financial quarter (RM1.4 million) was higher than that of the immediate preceding quarter (RM1.0 million) principally attributed to the higher income generated from the project management services during the current financial quarter.

B3. Current year prospect

Barring unforeseen circumstances, the Board of Directors anticipates that the financial performance of the Group will remain satisfactory for the financial year ending 31 December 2015.

B4. Profit forecast / Profit guarantee

There was no profit forecast or profit guarantee in respect of the current financial year.

B5. Profit before tax

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.15 RM'000	Preceding Year Quarter 30.09.14 RM'000	Current Year To Date 30.09.15 RM'000	Preceding Year To Date 30.09.14 RM'000
Profit before tax is arrived at after charging/(crediting):				
Depreciation charge	103	21	246	63
Inventories written off	-	-	-	238
Interest income	(18)	(31)	(55)	(47)

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B6. Income tax expense

	Individual Quarter Current Year Quarter 30.09.15 RM'000	Cumulative Quarter Current Year To Date 30.09.15 RM'000
Current tax expense	<u>233</u>	<u>233</u>

The effective tax rate of the Group is lower than the statutory tax rate principally attributed to the utilisation of unabsorbed tax losses brought forward.

B7. Status of corporate proposals announced

- (a) The table below sets out the status of utilisation of the proceeds raised from the rights issue and private placement which were completed on 8 May 2014:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation RM'000	Deviation RM'000
(a) Working capital	4,955	3,406	24 months	N/A
(b) To fund future projects/ ventures	5,028	3,784	24 months	N/A
(c) Repayment of hire purchase creditors	817	-	* 24 months	N/A
(d) Expenses for regularisation scheme	1,000	1,000	3 months	N/A
	<u>11,800</u>	<u>8,190</u>		

* *Extended to 24 months as opposed to 6 months as originally estimated.*

- (b) On 9 September 2014, the Company announced that the Company and its subsidiaries proposed to undertake the following proposals:

(i) proposed private placement of up to 42,451,200 new ordinary shares of RM0.10 each in the Company ("Ideal Shares") to independent third party investor(s) to be identified at a later date ("Proposed Private Placement");

(ii) proposed acquisition by:

- Ideal Consortium Sdn Bhd ("ICSB"), a wholly owned subsidiary of the Company, from Ideal Concept Intelligence Sdn Bhd ("Vendor I") of forty six (46) units of stratified commercial space known as Ideal C.E.O. executive suites located at Lot 20060 held under Pajakan Negeri Hakmilik No. 9034 (formerly known as Hakmilik Sementara H.S.(D) 17507), Mukim 13, Daerah Timor Laut, Penang ("Property I") for a cash consideration of RM18,000,000 ("Proposed Acquisition I"); and

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- the Company from Ideal Capital Intelligence Sdn Bhd (“Vendor II”) of twelve (12) units of stratified commercial space comprised in four (4) units of 3-storey shopoffices located at Lot 70096 held under Pajakan Negeri Hakmilik No. 8585, Mukim 12, Daerah Barat Daya, Penang (“Property II”) for a cash consideration of RM8,000,000 (“Proposed Acquisition II”);

(collectively, the “Proposed Acquisitions”)

- (iii) proposed diversification of the business of the Group into the property investment holding (“Proposed Diversification”);
- (iv) proposed increase in the authorised share capital of the Company from RM50,000,000 comprising 500,000,000 Ideal Shares to RM100,000,000 comprising 1,000,000,000 Ideal Shares (“Proposed IASC”); and
- (v) proposed amendments to the Memorandum and Articles of Association of the Company for the Proposed IASC (“Proposed Amendments”).

(collectively referred to as the “Proposals”).

ICSB and the Company have on 9 September 2014 entered into sale and purchase agreements (“SPA I” and “SPA II” respectively) with Vendor I and Vendor II respectively for the Proposed Acquisitions and deposits amounting to RM1,800,000 and RM800,000 (being 10% of the purchase considerations) have been paid to Vendor I and Vendor II respectively pursuant to the said sale and purchase agreements.

On 12 December 2014, the Company announced that ICSB and Vendor I have on 12 December 2014 entered into a Rental Guarantee Agreement wherein amongst others Vendor I guarantees that the gross annual rental income to be derived by ICSB from Property I for the financial years ending 31 December 2016 and 31 December 2017 shall not be less than RM720,000 and RM1,080,000 respectively. Accordingly, the parties to SPA I have on the same date, via a Supplemental Agreement to SPA I, mutually agreed to vary and make corresponding changes to certain terms of SPA I pursuant to the creation of the Rental Guarantee Agreement.

The Proposals were duly approved by the shareholders of the Company at the Extraordinary General Meeting held on 9 January 2015.

On 22 January 2015, the Company announced that the final payment of RM7.2 million has been paid by the Company to Vendor II pursuant to the terms and conditions of SPA II. In relation thereto, the Proposed Acquisition II is deemed completed.

On 13 March 2015, the Company announced that the final payment of RM14.4 million (being balance purchase price less retention sum) has been paid by ICSB to Vendor I pursuant to the terms and conditions of SPA I. In relation thereto, the Proposed Acquisition I is deemed completed.

Pursuant to the Proposed Private Placement, the Company has issued 22,000,000 and 20,451,200 Ideal Shares at the issue price of RM0.425 and RM0.430 each respectively which were successfully listed on the ACE Market of Bursa Securities on 12 March 2015 and 10 June 2015 respectively. The proceeds raised therefrom totalling RM18.14 million have been fully utilised for the acquisition of Property I and Property II and the payment of the expenses incurred in relation to the Proposals, with the difference between the estimated proceeds of RM21.23 million as disclosed in the Circular to Shareholders dated 18 December 2014 and the actual proceeds of RM18.14 million funded from the internally generated funds of the Group.

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B8. Bank borrowings

The Group has no bank borrowings as at the end of the current financial quarter.

B9. Material litigations

As at the date of this report, the Group was not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group save as follows:

- (a) Equator Biotech Sdn Bhd (“EBSB”) (now known as Ideal Property Concept Sdn Bhd) and Equator Life Science Berhad (“Equator” or “the Company”) (now known as Ideal Sun City Holdings Berhad) have been presented a Writ of Summons by Orix Credit Malaysia Sdn Bhd (“Orix”) on 15 April 2009 to the High Court of Johore Bahru which has been served to EBSB and Equator on 18 May 2009. EBSB and Equator were named as the First and Second Defendants respectively by Orix to claim the repayment of the sum of RM1,081,646.78, interest, legal costs, scale costs and other damages deemed fit by the court.

On 9 January 2012, the High Court of Johore Bahru dismissed the claim by Orix against EBSB and the Company.

Orix has subsequently filed an Appeal to the Court of Appeal on 1 February 2012. However, the Appeal was dismissed with cost of RM20,000.00 on 27 November 2013.

On 8 January 2014, Orix filed an application for Leave to Appeal and for extension of time to apply for Leave to Appeal to the Federal Court. The application was fixed for hearing on 26 June 2014. Orix has subsequently filed their Notice of Withdrawal for application for Leave to Appeal to the Federal Court and as such the case has come to an end.

However, on 1 August 2014, the Company was informed by the Company’s solicitors that the Company has been served a Writ & Statement of Claim by Orix’s new solicitors for the payment of the sum of RM2,112,912.60 together with the interest on RM977,206 at the rate of 0.065% per day calculated from 14 June 2014 till date of full settlement and costs. Nevertheless, the Company’s solicitors are of the opinion that the principle of res judicata is applicable and Orix is not entitled to make another claim on the same subject matter. Hence, the Company has filed an application to the High Court to strike out Orix’s claim which came up for decision on 16 October 2014 in which the Company’s application was dismissed.

On 20 October 2014, the Company filed an Appeal to the Court of Appeal against the decision of the High Court. On 21 October 2014, the Company filed an application for stay of proceedings at the High Court pending Appeal, which was dismissed by the High Court on 12 December 2014.

On 27 January 2015, the Court of Appeal dismissed the Company’s Appeal against the decision of the High Court.

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On 30 September 2015, the High Court has allowed Orix's claim in part as follows:-

Judgement in favour of Orix for:-

- (a) RM645,578.00 as the unpaid installments, with interest at the rate of 0.065% per day on this sum from 14 June 2014 until full and final settlement;
- (b) RM785,821.80 as the overdue interest calculated until 13 June 2014; and
- (c) Cost of RM30,000.00 to Orix.

The Company has one month from 30 September 2015 to file an Appeal to the Court of Appeal against the decision of the High Court.

B10. Dividends

No dividends have been declared by the Company during the current financial quarter.

B11. Earnings per share ("EPS")

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.09.15	30.09.14	30.09.15	30.09.14
(a) Basic earnings per share				
Profit attributable to equity holders of the Company for the period (RM'000)	1,407	801	3,282	4,120
Weighted average number of ordinary shares in issue ('000)	185,491	141,504	166,960	86,609
Basic earnings per share (sen)	0.76	0.57	1.97	4.76

Basic earnings per share is calculated by dividing the Group's profit attributable to equity holders of the Company for the period by the weighted average number of ordinary shares in issue during the reporting period.

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	Individual Quarter Ended		Cumulative Quarter Ended	
	30.09.15	30.09.14	30.09.15	30.09.14
(b) Diluted earnings per share				
Profit attributable to equity holders of the Company for the period (RM'000)	1,407	801	3,282	4,120
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share ('000)	185,491	141,504	166,960	86,609
Effect of dilution of the warrants ('000)	43,339	47,601	45,674	24,285
Adjusted weighted average number of ordinary shares in issue for the purpose of diluted earnings per share ('000)	228,830	189,105	212,634	110,894
Diluted earnings per share (sen)	0.61	0.42	1.54	3.72

For the purpose of calculating diluted earnings per share, the Group's profit attributable to equity holders of the Company for the period and the weighted average number of ordinary shares in issue during the reporting period have been adjusted (where applicable) for the dilutive effect of all potential ordinary shares from the exercise of the warrants.

B12. Disclosure of realised and unrealised profits/(losses)

The breakdown of retained profits of the Group as at the reporting date into realised and unrealised profits/(losses) is as follows:

	30.09.15 RM'000	31.12.14 RM'000
Total retained profits of the Group:		
- realised	10,870	7,588
- unrealised	(265)	(265)
Total	10,605	7,323

The determination of realised and unrealised profits/(losses) is based on the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits/(losses) above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

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B13. Authorisation for issue

This interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 October 2015.

BY ORDER OF THE BOARD

GUNN CHIT GEOK
MAICSA 0673097
CHEW SIEW CHENG
MAICSA 7019191
Company Secretaries
Penang

Date: 21 October 2015